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BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN
Commissioner - Chairman
RENZ D. JENNINGS
Commissioner
CARL J. KUNASEK
Commissioner

IN THE MATTER OF THE
COMPETITION IN THE PROVISION OF
ELECTRIC SERVICES THROUGHOUT
THE STATE OF ARIZONA.

DOCKET No. RE-00000-C-94-165

Arizona Corporation Commission
DOCKETED

JUL 06 1998

DOCKETED BY *mk*

**REQUESTED CHANGES AND/OR COMMENTS TO THE
STAFF'S DRAFT OF PROPOSED REVISIONS OF THE
RETAIL ELECTRIC COMPETITION RULES (R-14-2-1601, ET AL.)
SUBMITTED BY ASARCO INCORPORATED,
CYPRUS CLIMAX METALS COMPANY,
ARIZONANS FOR ELECTRIC CHOICE AND COMPETITION,
MORENCI WATER AND ELECTRIC COMPANY, AJO IMPROVEMENT COMPANY
AND PHELPS DODGE CORPORATION**

July 6, 1998

Submitted by:
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Phelps Dodge Corporation

ASARCO, Incorporated, Cyprus Climax Metals Company, Arizonans for Electric Choice and Competition, Ajo Improvement Company, Morenci Water and Electric Company, Phelps Dodge Corporation (collectively referred to herein as "AECC"), hereby submit their Requested Changes and/or Comments to the Staff's Draft of Proposed Revisions of the Retail Electric Competition Rules (R-14-2-1601, et al.). As a general proposition, the proposed amendments to the Rule provide increased clarity and will improve the effectiveness of the transition to completion. The sections addressing the phase-in, transmission and distribution access, and affiliate rules are especially helpful. AECC commends Staff for this fine effort.

The following are suggested changes and/or comments:¹

1. Page 3. Paragraph R14-2-1601. Following paragraph number 30, add a new paragraph number 31 as follows:

"Transmission Service" refers to the transmission of electricity to retail electric customers or to electric distribution facilities and that is so-classified by the Federal Energy Regulatory Commission or, to the extent permitted by law, so-classified by the Arizona Corporation Commission."

Renumber paragraphs to conform.

2. Page 4. Paragraph R14-2-1603.A. In line four following the first "or" add "metering, meter reading,"

3. Page 5. Paragraph R14-2-1603.F.5. Delete the paragraph: Public interest should not be the test as to whether an applicant is certified once the requirements of paragraphs R14-2-1603.B. and G have been met. Competition will be the test. Current statutes provide for the "public interest" test only in the case of awarding an exclusive franchise or monopoly. See A.R.S. § 40-281.D.

4. Page 8. Paragraph R14-2-1604.F. Delete the last sentence of the paragraph since it is no longer applicable to the two sub-paragraphs referenced, or at most should reference only sub-paragraph c.

5. Page 8. Paragraph R14-2-1604.H. Delete the following: "may engage in buy-throughs with individual or aggregated consumers" and replace with "shall provide for buy-through service to

¹ Note: All references follow the enumeration in the version proposed by Staff.

1 any electric consumer on request at no additional charge other than charges for required
2 transmission, distribution or ancillary services from and after January 1, 2001." Delete the last
3 sentence in the paragraph. Although at first glance this proposed language may appear redundant
4 in a Rule mandating open completion, it is intended as a backstop in case the implementation
process is thwarted by unforeseen delays. Also, the language is the same as the language
adopted in HB 2663 for public power entities [30-803D].

5 6. Page 8. Paragraph R14-2-1605.B. Following the first sentence, add at the beginning of the
6 second sentence the following: "Metering, meter reading,"

7 7. Page 9. Paragraph R14-2-1606.C. Suggest making the list of unbundled services for which a
8 tariff must be filed more compatible with the list of unbundled billing components in 14-2-
1613.M. For example, ancillary services is listed (appropriately) as a required unbundled
9 service, but does not appear in the list of required billing components.

10 8. Page 10. Paragraph R-14-2-1607. Suggest inserting after paragraph F:

11 **G. In designing the Competitive Transition Charge, unmitigated stranded costs shall be**
12 **allocated among customer classes in a manner consistent with the Affected Utility's current**
13 **rate treatment of these costs, in order to effect a stranded-cost recovery that is in**
substantially the same proportion as the present recovery of these costs from customers or
customer classes under current rates.

14 This language ensures that the CTC will be proportionate to a customer's current contribution
15 to strandable cost, preventing cost shifting. Also, to the extent that a stranded cost recovery
16 option is chosen which requires the utility to share in stranded cost responsibility, the reduction
17 in customer contributions to strandable cost is proportionate for all customers and customer
classes.

18 This language is variant of the language recommended by consensus of the Stranded Cost
19 Working Group and included in HB 2663 for application to public power entities [30-805.C].
Phrasing differences are stylistic only.

20 9. Page 13. Paragraph R14-2-1609.A and B.1. AECC continues to be concerned about the cost
21 impact of the required percentages of retail energy sold from new solar resources. While the
22 proposed crediting program can mitigate these costs somewhat, it would also be helpful if the
underlying implementation schedule was made more gradual over the ten-year period.

23 10. Page 17. Paragraph R14-2-1610.A. Suggest amending the last sentence in the paragraph to
24 read:

25 Rights to use the transmission system's transfer capabilities shall be allocated among
26 standard offer customers and competitive market customers on a pro-rata basis.

1 AECC strongly supports the intent of this paragraph in Staff's proposal. The proposed
2 language change is a friendly amendment that is intended to accomplish the objective of
3 allocating transmission access on a pro-rata basis by class of usage, but without assigning a
4 specific transmission allocation to each individual customer (as is implied in Staff's version).
Such an individual allocation is likely to be administratively difficult and is probably not
necessary.

5 11. Page 20. Paragraph R14-2-1613. The Billing Subcommittee recommended the following
6 language:

7 **Customer-specific billing data will only be released to parties to whom customers have
8 given written authorization.**

9 AECC supports this language and recommends that it be included in this section, perhaps
after paragraph C.

10 12. Page 21. Paragraph R14-2-1613.D. The intent of the new sentence in this paragraph is not
11 entirely clear. It seems to anticipate *scheduled* outages of firm electric service to customers.
12 From our perspective, Electric Service Providers (ESPs) should *not* be scheduling outages of
13 firm service. Outages of firm service may occur due to emergency situations - but these are not
scheduled events. Likewise, certain distribution system repairs may require short-term
interruptions, but these are within the purview of the UDC, not ESPs.

14 On the other hand, scheduled outages of transmission lines should be made known well in
15 advance to market participants so they can adjust - but end-use customers should be unaffected.
16 To this end, a provision for coordinating transmission maintenance is included in the proposed
Independent Scheduling Administrator (ISA). Similarly, scheduled outages of generation
17 facilities should be provided to the regional security coordinator, so that reliability is not
impaired - but again, end-use customers should be unaffected.

18 If an ESP loses access to its generation supply, an outage should not result, because firm
19 generation must be backed by reserves. Provision of necessary reserves is checked during the
20 scheduling process. If the ESP loses its generation supply for an extended period, the ESP
remains responsible for providing customers firm service and must provide alternative resources
21 (e.g., purchasing from the wholesale marketplace) to meet its obligations to customers.

22 13. Page 22. Paragraph R14-2-1613.I.9. Suggest changing paragraph as follows:

23 Meter ownership will be limited to the Affected Utility, the Electric Service Provider or their
24 representative, or the customer, who must obtain a meter that is approved by the Affected Utility
or the Electric Service Provider.

25 The main advantage of allowing customer meter ownership is that it provides an economic
26 backstop against the rental charges that may be levied by providers. If the customer can only

1 purchase the meter *from* the providers, the advantage of this provision is effectively eliminated.
2 For this reason, it makes sense to simply require provider-*approved* meters.

3 14. Page 23. Paragraph R12-2-1613.M. Suggest the following changes:

4 1. *Electricity Costs*. The CTC does not represent any electricity service provided on a
5 forward-going basis; therefore, it should not be classified as an "electricity cost" but as an
6 "other cost," or even "delivery cost."

7 Also, a "fuel or purchased power adjuster" is a *component* of generation cost, as
8 opposed to being distinct from it. The listing of this item, as proposed, is confusing.

9 2. *Delivery costs*. Suggest adding:

10 **c. ancillary services**

11 15. Page 28. Paragraph R14-2-1617.A.7.c. Change word "hall" in second sentence to "shall."

12 16. Page 34. Paragraph R14-2-1618.F.1.a. Suggest the following insertion:

13 . . . including an explanation of price variability, **if any**, . . .

14 As drafted, this paragraph seems to infer that price variability is a given, whereas many
15 contracts are likely to be for a fixed price.

16 Also, the terms of service should indicate whether service is firm or interruptible.
17 [Interruptible would require special equipment.]

18 Finally, the terms should clearly indicate which party (i.e., ESP or customer) is responsible
19 for paying delivery-related costs, such as transmission service, ancillary services (including
20 energy imbalance charges, and the cost of must-run generation. Given the development of the
21 Scheduling Coordinator model, it is likely that ancillary service costs (including energy
22 imbalance charges) will be billed directly to the Scheduling Coordinators, who may then pass
23 them on to the ESPs. The ESPs may variously decide whether to include these costs within their
24 price offerings to customers or to pass them on as "adders." The point here is that the terms of
25 service should make it clear whether these types of charges will be passed on as an "adder" to the
26 customer or whether they are included in the ESPs service price.

27 [Note on format: As there is no paragraph 2 in this section, the designation of paragraph "1"
28 can be dropped.]

29 17. Pages 35-43. Paragraph R14-2-210. The rule provides that billing and collection services are
30 to be competitive services, but this section refers continually to the "utility's" billing

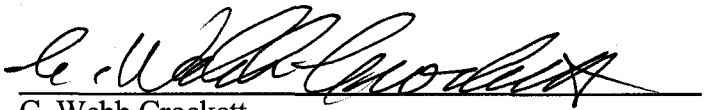
1 responsibilities or to "utility services." This usage is confusing. Also, the billing subcommittee
2 recommended that:

3 **Customers having access to competitive electric power services can choose whether bills**
4 **will be provided by the Affected Utility or Electric Service Provider or both.**


5 This language appears to have been omitted from the proposed amendments. AECC
6 recommends its inclusion.

7 RESPECTFULLY SUBMITTED this 6th day of July, 1998.

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